

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

Notice LD-509

For: State and County Offices

Information and Clarification for DMLA-III

Approved by: Acting Deputy Administrator, Farm Programs



1 Overview

A

Background

Notice LD-505 was issued to provide revisions to DMLA-III.

A number of inquiries have been received about implementing and administering DMLA-III procedure and policy.

B

Purpose

This notice provides:

- authority to extend the DMLA-III application period
- clarification regarding DMLA-III
- for offsets
- for assignments
- AD-1026 requirements
- corrections to incorrect references in Notices LD-505 and LD-506
- business rules regarding DMLA-III affiliated person rule and determination of new producer eligibility.

Disposal Date

January 1, 2002

Distribution

State Offices; State Offices relay to County
Offices

Notice LD-509

2 DMLA-III Revisions and Clarifications

A

Application Period Extension

Because of the revisions and clarifications provided in this notice, the DMLA-III application period **has been extended** from March 30, 2001, to April 30, 2001.

All new DMLA-III applications must be submitted to the applicable County Office by COB April 30, 2001. Applications received or requested after COB April 30, 2001, will **not** be approved, including FAXed or mailed applications. In these cases, disapprove the application in the normal manner.

Note: Notice LD-505, subparagraph 2 C is no longer applicable.

B

Offsets

Notice LD-505, subparagraph 6 D provides that DMLA-III payments are not subject to offsets. This included any offsets that were erroneously taken from payments issued in December 2000 and January 2001 using DMLA-III funds.

An FI notice will be issued to provide instructions for correcting and refunding offsets already taken for DMLA-III payments. Until the FI notice is received, no further action is required.

C

Assignments

DMLA-III payments can be assigned as applicable.

D

AD-1026 Requirements

AD-1026 for DMLA-III payment is required according to 7 CFR Section 12.4. See Notice LD-508, issued on March 29, 2001, for information regarding the AD-1026 requirement for DMLA-III.

E

Corrections

Notices LD-505 and LD-506 contained incorrect references and are corrected as follows.

Notice	Correction
Notice LD-505, subparagraph 8 I	FAX a memorandum summarizing the spot check results to PSD by September 14 instead of August 1.
Notice LD-506, subparagraph 2 A	Notice LD-505 should be referenced instead of Notice LD-501.

3 Business Rules for New Producers

A

Eligible New Producers

County Offices shall apply the following business rules when determining an eligible new producer for DMLA-III:

- any producer who began operating a dairy operation in the 2000 calendar year
 - a nonaffiliated person who **purchases** a new dairy operation in the 2000 calendar year
 - a nonaffiliated person who joins an existing dairy operation and **brings** cows to the operation
 - any dairy operation that was eligible for DMLA-I and -II, and did not sign up for any payments during any of the DMLA periods.
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B

Ineligible New Producers

County Offices shall apply the following business rules when determining when a producer is **not** considered a new producer for DMLA-III:

- any affiliated person joining or purchasing an existing dairy operation
 - a nonaffiliated person who joins an existing dairy operation paid under DMLA-I and -II, and does not bring new cows to the existing dairy operation.
-

C

Examples of New Producers

The following questions and answers are examples of the business rules in subparagraph A.

- A nonaffiliated producer began a new dairy operation for the first time on February 14, 2000. Is this operation eligible for DMLA-III payments?

Yes, because the producer of the new operation is not affiliated with any other dairy operation or dairy producer.

If the producer was affiliated with any other dairy operation or dairy producer, the new dairy operation would be ineligible for DMLA-III.

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3 Business Rules for New Producers (Continued)

C

Examples of New Producers (Continued)

- Producer A operated a dairy operation and was paid for DMLA-I, -II, and -III. On January 3, 2000, the producer **sold** the dairy operation to Producer B, who was not affiliated with any producer or dairy operation. Producer B added 50 cows to the dairy operation. Is Producer B eligible for a DMLA-III payment?

Yes. Producer B is eligible for DMLA-III payments as a new producer based on the production from the 50 cows added to the dairy operation beginning on January 3, 2000.

- Producer A operated a dairy operation and received DMLA-I, -II, and -III payments. On March 17, the hired hand, who was not affiliated with the dairy operation, **joins** the **existing** dairy operation as a new producer and brings 100 cows to the dairy operation. Is the hired hand eligible for a DMLA-III payment?

Yes. The hired hand is eligible for DMLA-III as a new producer based on the production from the additional 100 cows.

- Father and son operate a dairy operation on a 50/50 percent share. The dairy operation never applied for DMLA-I or -II payments and was eligible. Is this dairy operation eligible for DMLA-III?

Yes.

D

Examples of Ineligible New Producers

The following questions and answers are examples of the business rules in subparagraph B.

- Father and son shared in a dairy operation on a 50/50 percent share basis. The dairy operation applied for payments under DMLA-I and was paid for DMLA-I, -II, and -III. The DMLA-III production was paid up to 39,000 cwt. On April 1, 2000, the father retired and the son purchased the dairy operation from the father and added 50 cows to the dairy operation. Is the son eligible for DMLA-III as a new producer?

No. The son and father were affiliated on the dairy operation and were paid under DMLA-I, -II, and -III.

Continued on the next page

3 Business Rules for New Producers (Continued)

D Examples of Ineligible New Producers (Continued)

- Producer A operated a dairy operation and received DMLA-I, -II, and -III payments. Producer B **joins** the **existing** operation and does **not** bring cows to the dairy operation. Is Producer B considered a new dairy producer for DMLA-III?

No. Producer B is not eligible for DMLA-III payments because no new cows were added to the dairy operation and Producer A has already received payment for the eligible production.

4 Action

A State Office Action

State Offices shall ensure that County Offices immediately notify producers of the contents of this notice using all available sources.

B County Office Action

County Offices shall notify dairy producers of the:

- extended DMLA-III application period
 - necessity to complete AD-1026 for DMLA-III eligibility for new producers. This also includes all DMLA-III producers who have already been paid DMLA-III payments.
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